

# **WINTHROP UNIVERSITY**

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## **Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2004**



# WINTHROP UNIVERSITY

## Table of Contents

	<u>Page</u>
State Auditor's Transmittal Letter	
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10-11
Component Unit - The Winthrop University Foundation Statement of Financial Position	12
Component Unit - The Winthrop University Foundation Statement of Activities	13-14
Component Unit - Winthrop University Real Estate Foundation, Inc. Consolidated Statement of Financial Position	15
Component Unit - Winthrop University Real Estate Foundation, Inc. Consolidated Statement of Activities	16
Notes to Financial Statements	17-40
<b>Other Financial Information</b>	
Supplementary Schedules Required by the Office of the South Carolina Comptroller General:	
Schedule of Information on Business-Type Activities Required For the Government-Wide Statement of Activities in the State CAFR	41
Schedule Reconciling the State Appropriation per the Financial Statements To the State Appropriation Recorded in State Accounting Records	42
<b>SINGLE AUDIT SECTION</b>	
Supplementary Federal Financial Assistance Reports:	
Schedule of Expenditures of Federal Awards	43-45
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	46-47
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	48
Notes to Schedule of Expenditures Of Federal Awards	49
Summary Schedule of Prior Audit Findings	50
Schedule of Findings and Questioned Costs	51
Addendum	52-53

# State of South Carolina

## Office of the State Auditor

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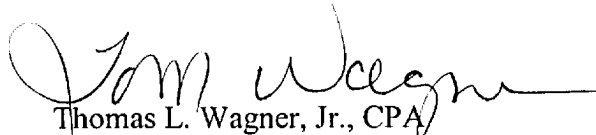
November 10, 2004

The Honorable Mark Sanford, Governor  
and  
Members of the Board of Trustees  
Winthrop University  
Rock Hill, South Carolina

This report on the audit of the basic financial statements and the additional reports required by OMB Circular A-133 of Winthrop University for the fiscal year ended June 30, 2004, was issued by Cline Brandt Kochenower & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

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Independent Auditors' Report

Winthrop University  
Rock Hill, South Carolina

We have audited the accompanying basic financial statements of Winthrop University (the University) as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Winthrop University Foundation. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Winthrop University Foundation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the revised August, 1994 *State Board Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University, as of June 30, 2004, and the results of its operations and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, during the year ended June 30, 2004.

The accompanying management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Winthrop University. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2004 on our consideration of Winthrop University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in blue ink that reads "Clint Brantley & Co. PA". The signature is written in a cursive, flowing style.

September 13, 2004



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2004**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2004. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35.

**Introduction**

Winthrop University provides personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited – part of the University's commitment to be among the very best institutions of its kind in the nation.

Winthrop University of the 21<sup>st</sup> century is achieving national recognition as a competitive and distinctive, co-educational, public, residential comprehensive teaching institution.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body of 6,500 students and will remain a medium-sized comprehensive teaching university for the foreseeable future. The University recruits South Carolina's best students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on the college campus.

Winthrop's historic campus, located in the Charlotte, North Carolina metropolitan area, provides a contemporary and supportive environment that promotes student learning and development. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Ongoing assessment of programs and services ensures both that all academic programs challenge students at their highest level of ability and that the library, instructional technology and other academic service areas support courses of study that are consonant with current methods and knowledge. As a result, Winthrop graduates are eminently well prepared to assume successful careers in business, industry, government, education, the arts, and human services, as well as to enter the most competitive graduate or professional schools.

Winthrop has obtained 100 percent national accreditation in all academic areas for which such accreditation is available. Winthrop University was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2004 edition. It is the 12th time this publication has chosen Winthrop for inclusion in its listings.

*Consumers Digest* rated Winthrop University among the nation's top 50 "**Best Value**" public universities for 2004. The college guidebook, **Barron's Best Buys** (seventh edition), includes Winthrop in its compilation. The guide looks beyond the nation's best-known and most expensive four-year colleges to discover schools where the education dollar goes further. The Princeton Review rated Winthrop among its "**Best Southeastern Colleges**" based on academic excellence and what students report about their college experiences. Winthrop is one of 100 schools profiled in the first edition of the regional guide.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of the University's unrestricted net assets have been designated for various academic initiatives or future capital commitments.

## CONDENSED STATEMENT OF NET ASSETS

	2004	2003	Increase/ (Decrease)
<b>ASSETS</b>			
Current Assets	\$ 19,748,794	\$ 16,653,765	\$ 3,095,029
Capital Assets, Net of Accumulated Depreciation	63,912,325	62,274,534	1,637,791
Other Noncurrent Assets	13,239,047	5,411,521	7,827,526
Total Assets	96,900,166	84,339,820	12,560,346
<b>LIABILITIES</b>			
Current Liabilities	11,249,465	8,902,915	2,346,550
Noncurrent Liabilities	27,774,792	19,755,351	8,019,441
Total Liabilities	39,024,257	28,658,266	10,365,991
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	44,480,110	45,082,749	(602,639)
Restricted for Nonexpendable	484,930	477,946	6,984
Restricted for Expendable	2,483,853	1,586,880	896,973
Unrestricted	10,427,016	8,533,979	1,893,037
Total Net Assets	\$ 57,875,909	\$ 55,681,554	\$ 2,194,355



- Current Assets increased by \$3,095,029 in 2004. Of this increase, \$1,854,210 was a result of an increase in student debt fees reserved for future debt service on institutional bonds that will be issued in fiscal year 2005 for construction of the Lois Rhame West Center. Capital Improvement Bonds Receivable also increased by \$406,659 resulting from capital project expenditures incurred but not yet drawn at year end.
- Noncurrent Assets increased by \$7,827,526 in 2004. This increase is primarily due to Institutional Bonds (\$4,338,245) and Master Lease (\$4,501,004) proceeds on hand at FY2004 year end that will be disbursed in FY2005 for capital project additions and renovations offset by \$900,334 in Higher Ed Revenue and Institutional Bond proceeds on hand at FY2003 year end and disbursed in FY2004.
- Long term liabilities increased by just over \$8 million. This increase is a result of the issuance of \$5.5 million in State General Obligation bonds and \$4.5 million in Master Lease Plan proceeds for various capital and renovations projects offset by current year bond payments.
- Total net assets increased by \$2,194,355, which was largely attributable to the increase in construction in progress and capital asset additions, as well as student fees reserved for future debt service.

### Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

### CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

#### YEAR ENDED JUNE 30, 2004

	2004	2003	Increase/ (Decrease)
Operating Revenue	\$ 55,403,604	\$ 48,881,824	\$ 6,521,780
Operating Expenses	(77,239,095)	(78,570,465)	1,331,370
Operating Loss	(21,835,491)	(29,688,641)	7,853,150
Nonoperating Revenues and Expenses	22,038,650	25,986,743	(3,948,093)
Gain (Loss) before Other Revenues, Expenses, Gains, or Losses	203,159	(3,701,898)	3,905,057
Other Revenues, Expenses, Gains, or Losses	1,991,196	626,137	1,365,059
Increase (Decrease) in Net Assets	\$ 2,194,355	\$ (3,075,761)	\$ 5,270,116
Net Assets – Beginning of Year	\$ 55,681,554	\$ 58,757,315	\$ (3,075,761)
Increase (Decrease) in Net Assets	2,194,355	(3,075,761)	5,270,116
Net Assets at End of Year	\$ 57,875,909	\$ 55,681,554	\$ 2,194,355

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in the net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Operating Revenues increased in excess of \$6.5 million. This increase is primarily attributable to an increase of \$6.3 million in tuition and fee revenue resulting from increased enrollment and the tuition and fee increase approved by the University's Board of Trustees in June 2003. This tuition and fee increase was approved to help offset continued reductions in state funding and to support the Quality Initiative Plan passed by the Board of Trustees in February 2002. This plan required that dedicated revenue streams be identified for the enhancement of faculty salaries, facilities and technology.
- Operating Expenses decreased \$1.3 million. Despite increases faculty and staff salary and benefit expenses resulting from the 2003 Salary Enhancement Plan, expenditures in services and supplies decreased in 2003-04 as compared to the previous year. This was primarily because of the one-time renovation expenditures that occurred in 2003 for upgrades to Wofford and Richardson residence halls.
- Nonoperating Revenues declined by \$3,948,093. This decline results primarily from a decrease in State appropriation revenue of just over \$1.5 million and a decrease in nonoperating grant revenue of \$1.8 million resulting from a reclassification of state grant lottery based funds.
- Capital Appropriation revenue increased by \$1,365,059. Under GASB 35, Capital Improvement Bond proceeds revenue is only recognized to the extent of expenses incurred. For FY2004, expenses for those projects funded by Capital Improvement Bonds totaled \$1,991,196 as compared to \$626,137 in FY2003. As of June 30, 2004, Winthrop had Capital Improvement bonds of \$4,949,955 authorized but not expended.

### **Capital Asset and Debt Activity**

General obligation bonds in the amount of \$5.5 million were issued for construction of a state of the art regulation competition track with a fieldhouse to provide space for locker rooms, showers, meeting rooms, and offices; (ii) prepare a soccer field to be used by the university's newly formed women's soccer program; (iii) demolish Breazeale apartment building located on the future site of a new library; and (iv) provide funds for the first phase of the design and construction of a new student center.

In fiscal year 2004, the University began construction on the Lois Rhame West Health and Physical Education Complex. General obligation bonds (with a planned issue date in fiscal year 2005) and \$6.4 million in state capital improvement bonds appropriated by the South Carolina General Assembly will fund this project, which has an expected cost of \$21 million.

Also, in fiscal year 2004, Winthrop borrowed \$4.5 million from a bank under the State Treasurer's Office's Master Lease Program to fund an energy savings alterations project. This project will make improvements to the campus which will result in significant savings in energy costs adequate to service the debt on the Master Lease Program loan.

## **Economic Outlook**

The University is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the University's economic outlook during the fiscal year that began July 1, 2004.

The University's overall financial position is sound. Even though state funding has been reduced, enrollment has consistently increased over the past eight years, and the institution's level of operations has remained stable.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**

## Statement of Net Assets

June 30, 2004

**ASSETS****CURRENT ASSETS**

Cash and Cash Equivalents	\$ 13,745,825
Accounts Receivable, Net	5,220,662
Inventories	211,710
Accrued Interest Receivable	173,697
Prepayments	396,900
	<hr/>
Total Current Assets	19,748,794

**NONCURRENT ASSETS**

Cash and Cash Equivalents	
Restricted	9,981,945
Endowment	843,465
Perkins Loans Receivable, Net	2,413,637
Capital Assets, Net	63,912,325
	<hr/>
Total Noncurrent Assets	77,151,372
	<hr/>
Total Assets	96,900,166

**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	6,932,791
Deferred Revenue	975,188
Current Portion of Long Term Debt	1,986,390
Current Portion of Compensated Absences	1,355,096
	<hr/>
Total Current Liabilities	11,249,465

**NONCURRENT LIABILITIES**

Compensated Absences	847,815
Perkins Loan Federal Liability	2,440,885
Bond Premium on Long Term Debt	42,295
Long Term Debt	24,443,797
	<hr/>
Total Noncurrent Liabilities	27,774,792
	<hr/>
Total Liabilities	39,024,257

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	44,480,110
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	484,930
Expendable:	
Scholarships and Fellowships	119,609
Grants	1,136,779
Loans	331,386
Debt Service	896,079
Unrestricted	10,427,016
	<hr/>
Total Net Assets	\$ 57,875,909

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2004

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$500,519 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001 A5) (Net of Scholarship Discounts and Allowances of \$15,211,038)	\$ 24,443,300
Grants and Contracts	17,607,271
Sales and Services of Educational Activities	1,854,387
Sales and Services of Athletic Activities	818,153
Sales and Services of Auxiliary Enterprise Activities (of which \$286,174 of Auxiliary Bookstore Revenues are Pledged for Auxiliary Facility Revenue Bonds Series 1997 and of which \$657,446 of Auxiliary Housing Revenues are Pledged for Higher Education Revenue Bonds Series 2002 B5)	10,026,346
Other Fees	398,643
Other Operating Revenues	255,504
Total Operating Revenues	<u>55,403,604</u>

**EXPENSES**

**OPERATING EXPENSES**

Personnel Costs	38,059,508
Fringe Benefits	9,471,433
Service and Supplies	19,429,529
Utilities	2,545,152
Scholarships and Fellowships	4,641,229
Depreciation	3,092,244
Total Operating Expenses	<u>77,239,095</u>
Operating Loss	<u>(21,835,491)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	20,350,715
Grants and Contracts	188,212
Gifts	1,055,270
Interest Income	579,247
Interest Expense	(909,218)
Other Nonoperating Revenues (Expenses)	774,424
Net Nonoperating Revenues	<u>22,038,650</u>
Loss Before Other Revenues, Expenses, Gains or Losses	203,159
Capital Appropriations	1,991,196
Decrease in Net Assets	<u>2,194,355</u>

**NET ASSETS**

Net Assets - Beginning of Year	<u>55,681,554</u>
Net Assets - End of Year	<u>\$ 57,875,909</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2004

**CASH FLOWS FROM OPERATING ACTIVITIES**

**CASH RECEIVED FROM**

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 24,674,491
Grants and Contracts	17,628,622
Sales and Services of Educational Activities	1,912,915
Sales and Services of Athletic Activities	827,914
Sales and Services of Auxiliary Enterprise Activities	10,035,502
Other Fees	404,365
Collection of Loans	511,171
Inflows from Federal Direct Lending Loans to Students	18,555,282
Other Receipts	255,506

**CASH PAID FOR**

Personnel Costs	(37,778,865)
Fringe Benefits	(9,617,438)
Service and Supplies	(17,936,568)
Utilities	(2,459,645)
Students	(5,004,825)
Loans to Students	(580,372)
Outflows from Federal Direct Lending Loans to Students	(18,595,000)
Net Cash Used by Operating Activities	<u>(17,166,945)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	20,319,264
Gifts and Grants	1,278,377
Commissions	523,380
Other Sources	225,033
Proceeds from Debt	1,150,000
Net Cash Provided by Noncapital Financing Activities	<u>23,496,054</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	8,892,294
Capital Appropriations	1,584,537
Purchases of Capital Assets	(4,804,475)
Principal Paid on Capital Debt and Lease	(1,306,693)
Interest and Fees	(939,107)
Net Cash Used by Capital and Related Financing Activities	<u>3,426,556</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	637,147
Net Cash Provided by Investing Activities	<u>637,147</u>

Net Change in Cash and Cash Equivalents	10,392,812
Cash and Cash Equivalents - Beginning of Year	14,178,423
Cash and Cash Equivalents - End of Year	<u><u>\$ 24,571,235</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2004

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (21,835,491)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	3,092,244
Change in Assets and Liabilities:	
Accounts Receivable, Net	(198,491)
Inventories	64,462
Prepayments	60,819
Accounts Payable and Accrued Liabilities	1,177,269
Deferred Revenue	321,670
Compensated Absences	150,573
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (17,166,945)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

Cash and Cash Equivalents Classified as Current	\$ 13,745,825
Cash and Cash Equivalents Classified as Noncurrent Restricted	9,981,945
Cash and Cash Equivalents Classified as Noncurrent Endowment	843,465
	<hr/>
	<u><u>\$ 24,571,235</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2003**  
(With comparative information for June 30, 2003)

	Unrestricted Fund	Restricted Funds	Endowment Funds	Split- Interest Trusts	Alumni Association Agency Fund	December 31, 2003 Total All Funds	June 30, 2003 Total All Funds
<b>Assets</b>							
Assets:							
Cash and Equivalents	\$ 609	130,575	913,720	25,755	5,398	\$ 1,076,057	\$ 497,316
Accrued Interest and Dividends	-	4,509	31,556	33,855	186	70,106	42,083
Contributions Receivable	20,252	90,410	751,380	875,205	-	1,737,247	3,104,297
Other Receivable	67,312	-	-	21,202	-	88,514	88,514
Pooled Investments, at Fair Value	-	2,798,410	19,582,388	551,973	115,682	23,048,453	19,725,113
Investments, at Fair Value	-	-	-	727,134	-	727,134	731,751
Beneficial Interest in Perpetual Trust	-	-	-	150,982	-	150,982	149,141
Due (to) from Other Funds	(193,098)	23,445	164,060	4,624	969	-	-
Cash Value of Life Insurance	44,330	16,542	71,229	-	-	132,101	132,839
Office Furniture & Equipment, at Cost	-	-	-	-	-	-	-
Net of Depreciation of \$62,829	15,119	-	-	-	-	15,119	18,206
<b>Total Assets</b>	<b>(45,476)</b>	<b>3,063,891</b>	<b>21,514,333</b>	<b>2,390,730</b>	<b>122,235</b>	<b>27,045,713</b>	<b>24,489,260</b>
<b>Liabilities and Net Assets</b>							
Liabilities:							
Accounts Payable	30,647	-	-	-	-	30,647	30,834
Actuarial Liability of Annuities Payable	-	-	-	514,847	-	514,847	514,458
Agency Funds	-	-	-	-	122,235	122,235	82,090
<b>Total Liabilities</b>	<b>30,647</b>	<b>-</b>	<b>-</b>	<b>514,847</b>	<b>122,235</b>	<b>667,729</b>	<b>627,382</b>
Net Assets:							
Unrestricted	(76,122)	-	-	-	-	(76,122)	(241,838)
Temporarily Restricted	-	3,063,891	3,177,469	-	-	6,241,360	4,714,677
Permanently Restricted	-	-	18,336,864	1,875,883	-	20,212,747	19,389,039
<b>Total Net Assets</b>	<b>(76,122)</b>	<b>3,063,891</b>	<b>21,514,333</b>	<b>1,875,883</b>	<b>-</b>	<b>26,377,985</b>	<b>23,861,878</b>
	<b>\$ (45,475)</b>	<b>3,063,891</b>	<b>21,514,333</b>	<b>2,390,730</b>	<b>122,235</b>	<b>\$ 27,045,714</b>	<b>\$ 24,489,260</b>

The accompanying notes are an integral part of the financial statements.



**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2003**  
(With comparative information for the year ended June 30, 2003)

	Temporarily Restricted Net Assets				Permanently Restricted Net Assets			Six Months Ended December 31, 2003 Total All Funds	Year Ended June 30, 2003 Total All Funds
	Unrestricted Net Assets	Restricted Funds	Endowment Funds	Total	Endowment Funds	Split- Interest Trusts	Total		
Revenues, Gains and Other Support:									
Contributions	\$ 178,425	218,851	-	218,851	732,003	21,605	753,608	\$ 1,150,884	\$ 3,884,166
Investment Earnings	378,398	136,422	-	136,422	1,372,421	1,841	1,374,262	1,889,082	1,047,716
Increase (Decrease) in Cash Surrender Value	-	(133)	-	(133)	(1,102)	-	(1,102)	(1,235)	(2,186)
Provision for Uncollectible Pledges	3,217	20,103	-	20,103	126,709	-	126,709	150,029	(45,973)
Change in Value of Split-Interest Trust	-	-	-	-	-	66,775	66,775	66,775	84,149
	<u>560,040</u>	<u>375,243</u>	<u>-</u>	<u>375,243</u>	<u>2,230,031</u>	<u>90,221</u>	<u>2,320,252</u>	<u>3,255,535</u>	<u>4,967,872</u>
Net Assets Released From Restriction -									
Scholarships and Grants	<u>271,405</u>	<u>(271,405)</u>	<u>-</u>	<u>(271,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:									
Operating Expenditures:									
Salaries and Benefits	64,760	-	-	-	-	-	-	64,760	124,866
Directors, Expenses	61	-	-	-	-	-	-	61	425
Rent	4,551	-	-	-	-	-	-	4,551	4,801
Telephone	2,180	-	-	-	-	-	-	2,180	1,741
Office Supplies and Postage	4,957	-	-	-	-	-	-	4,957	15,843
Insurance	1,034	-	-	-	-	-	-	1,034	1,314
Professional Fees	20,188	-	-	-	-	-	-	20,188	29,680
Investment Fees	1,147	-	-	-	-	-	-	1,147	6,465
Computer Software	2,692	-	-	-	-	-	-	2,692	2,588
Depreciation	4,616	-	-	-	-	-	-	4,616	8,289
Travel and Entertainment	15,720	-	-	-	-	-	-	15,720	1,934
	<u>\$ 121,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 121,906</u>	<u>\$ 197,946</u>

The accompanying notes are an integral part of the financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2003**  
(With comparative information for the year ended June 30, 2003)

	Temporarily Restricted Net Assets				Permanently Restricted Net Assets			Six Months Ended December 31, 2003 Total All Funds	Year Ended June 30, 2003 Total All Funds
	Unrestricted Net Assets	Restricted Funds	Endowment Funds	Total	Endowment Funds	Split- Interest Trusts	Total		
<b>Fund Raising:</b>									
Development Salaries	\$ 29,971	-	-	-	-	-	-	\$ 29,971	\$ 118,310
Major Gifts	-	-	-	-	-	-	-	-	1,330
Annual Fund	3,525	-	-	-	-	-	-	3,525	82,846
Planned Giving	2,332	-	-	-	-	-	-	2,332	1,832
Prospect Research	-	-	-	-	-	-	-	-	4,977
Donor Relations	238	-	-	-	-	-	-	238	1,832
Campaign	34,624	-	-	-	-	-	-	34,624	114,024
	<u>70,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,690</u>	<u>325,151</u>
<b>Grants to Winthrop University:</b>									
General Scholarships	125,801	-	-	-	-	-	-	125,801	212,700
Restricted Scholarships and Grant	271,405	-	-	-	-	-	-	271,405	1,384,128
Alumni Association	41,500	-	-	-	-	-	-	41,500	83,000
Faculty Awards	-	-	-	-	-	-	-	-	6,000
Presidents Salary Supplement	66,015	-	-	-	-	-	-	66,015	79,076
University Publications	13,227	-	-	-	-	-	-	13,227	27,372
Advancement	14,317	-	-	-	-	-	-	14,317	29,830
University Events	14,567	-	-	-	-	-	-	14,567	21,397
	<u>546,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,832</u>	<u>1,843,503</u>
Total Expenses	<u>739,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,428</u>	<u>2,366,600</u>
Net Transfers	<u>73,699</u>	<u>(1,041)</u>	<u>1,423,886</u>	<u>1,422,845</u>	<u>(1,496,544)</u>	<u>-</u>	<u>(1,496,544)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	165,716	102,797	1,423,886	1,526,683	733,487	90,221	823,708	2,516,107	2,601,272
Net Assets, Beginning of Period	(241,838)	2,961,094	1,753,583	4,714,677	17,603,377	1,785,662	19,389,039	23,861,878	21,360,606
Net Assets, End of Period	<u>\$ (76,122)</u>	<u>3,063,891</u>	<u>3,177,469</u>	<u>6,241,360</u>	<u>18,336,864</u>	<u>1,875,883</u>	<u>20,212,747</u>	<u>\$ 26,377,985</u>	<u>\$ 23,961,878</u>

The accompanying notes are an integral part of the financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2003

<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	
Unrestricted	\$ 249,001
Reserved	2,118,801
Total Cash	<u>2,367,802</u>
Accounts Receivable	<u>37,218</u>
Total Current Assets	<u>2,405,020</u>
Property and Equipment:	
Property and Equipment, net of accumulated depreciation	16,739,360
Other Assets:	
Bond Closing Costs, net of amortization	<u>464,631</u>
Total Assets	<u><u>\$ 19,609,011</u></u>
<b>Liabilities and Net Assets</b>	
Current Liabilities:	
Accounts Payable	\$ 531,556
Short-Term Borrowings	95,123
Current Portion of Long-Term Debt	<u>245,000</u>
Total Current Liabilities	<u>871,679</u>
Long-Term Debt :	
Bonds Payable	18,975,000
Notes Payable	4
Less Current Portion of Long Term Debt	<u>(245,000)</u>
Total Long-Term Debt	<u>18,730,004</u>
Total Liabilities	<u>19,601,683</u>
Net Assets	
Unrestricted	<u>7,328</u>
Total Net Assets	<u>7,328</u>
Total Liabilities and Net Assets	<u><u>\$ 19,609,011</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003

Operating Revenues and Other Support:	
Room Charges and Occupancy Fees	\$ 1,748,850
Cafeteria Fees and Vending Commissions	257,755
Revenue from Contributions of Land	388,620
Other Operating Revenues	<u>23,948</u>
Total Operating Revenues and Other Support	2,419,173
 Operating Expenses	 <u>1,794,879</u>
 Net Operating Revenues and Support over Expenses	 <u>624,294</u>
 Nonoperating (Revenues) and Expenses	
Interest Income	(18,289)
Loss on Sale of Property	72,303
Letter of Credit Fees	257,809
Remarketing Fees	23,595
Interest Rate Swap Fees	517,001
Amortization Expense	24,454
Interest Expense	<u>187,785</u>
Net Nonoperating Revenues and Expenses	<u>1,064,658</u>
 Net Increase (Decrease) in Net Assets	 (440,364)
 Net Assets, June 30, 2002, as originally reported	 330,437
 Prior Period Adjustment	 <u>117,255</u>
 Net Assets, December 31, 2003	 <u><u>\$ 7,328</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Winthrop University is part of the primary government of the State of South Carolina. The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Because of this change, the accompanying statement of activities is for the six-month transition period ended December 31, 2003. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned organizations. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop, a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF LLC's charge is to ensure the continued viability of the Courtyard through maximum occupancy percentages and fiscal responsibility, and to build revenue for future housing development.

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been included in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that the WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by the WUREF, Inc. can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because they're financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise it fiscal year end to December 31, effective January 2004, giving rise to an eighteen-month accounting period for the accompanying consolidated statement of activities. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 16) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, 38 and 39 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 4).

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2004 but for which the goods or services would not be received until after July 1, 2004.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period. During the year ended June 30, 2004, there were no material capitalized interest costs incurred.

**Deferred Charges:** Deferred charges are typically associated with the issue of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2004, the University had no material deferred charges.

**Deferred Revenues:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of deferred revenues represent residence hall room deposits, security deposits for possible room damage and key loss, admissions deposits and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Assets.

**Net Assets:** The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Assets:** Continued

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Assets.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 16.

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 13,745,825
Cash and Cash Equivalents - Restricted	
Debt Service	1,467,842
Capital Project	7,628,194
Student Loan	114,983
Grants and Contracts	745,926
Other	25,000
Cash and Cash Equivalents - Endowment	843,465
Total	<u>\$ 24,571,235</u>
DEPOSITS:	
Cash on Hand	\$ 4,832,377
Deposits Held by State Treasurer	19,713,858
Other Deposits	<u>25,000</u>
Total	<u>\$ 24,571,235</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Cash on Hand

At June 30, 2004, Winthrop University had approximately \$226,000 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$126,000 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2004, Winthrop University had \$19,713,858 in Deposits Held by State Treasurer and all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other Deposits

Other deposits include \$25,000 held by the Federal Government for Perkins Loan Program participation.

Concentrations of Credit Risk - Non Governmental Discretely Presented Component Units

***The Winthrop University Foundation***

The Foundation's concentration of potential credit risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies adopted by its Board of Directors. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$976,057 at December 31, 2003. These deposits were all in a high credit quality institution.

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$100,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount in excess of the federally insured limit at December 31, 2003 was \$2,267,132.

Reserved Cash And Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

The reserved cash represents monies on deposit within WUREF, LLC. These funds are provided by and/or are in connection with the issuance of bonds for the purposes of The Courtyard at Winthrop. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in connection with the bond issuance. The reserve accounts at December 31, 2003 are as follows:

Debt service reserve fund	\$ 1,309,816
Operating contingency restricted reserve	300,036
Construction reserve fund, Series A	239,675
Bond reserve fund	188,511
Repair and replacement reserve fund	80,605
Other miscellaneous reserve funds	158
	<u>\$ 2,118,801</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Investments at December 31, 2003 are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Municipal Bonds	\$ 694,917	727,134
Common Stocks	166,875	50
Mutual Funds:		
Fixed Income	10,596,493	10,968,407
Equity	<u>11,737,800</u>	<u>12,079,996</u>
	<u>\$ 23,196,085</u>	<u>23,775,587</u>

Investment earnings for the six months ended December 31, 2003 consisted of:

Dividends and Interest	\$ 203,336
Realized Gains (Losses) Net	119,612
Unrealized Gains (Losses) Net	<u>1,642,619</u>
	<u>\$ 1,965,567</u>

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2004, are summarized as follows:

State Appropriations	\$ 2,229,251
Student Accounts	1,115,282
Less Allowance for Doubtful Accounts	(63,491)
Student Loans Receivable - Federal Perkins	2,413,637
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	531,719
State Grants and Contracts	231,428
Local Grants and Contracts	6,479
Foundation	405,620
Capital Improvement Bond Funds	659,002
Other	<u>105,372</u>
Total Accounts Receivable, Net of Allowance	7,634,299
Less: Noncurrent Perkins Loan Receivable (See Note 4)	<u>(2,413,637)</u>
Accounts Receivable, Net - Current	<u>\$ 5,220,662</u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2003-2004 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 3 - ACCOUNTS RECEIVABLE**, Continued

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2004, the allowance for uncollectible student accounts is valued at \$63,491.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

Contributions Receivable - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2003:

Unconditional promises expected to be collected in:

Less than One Year	\$ 667,699
One to Five Years	347,348
Over Five Years	<u>885,205</u>
	1,900,252
Less Unamortized Discount	<u>(58,356)</u>
	1,841,896
Less Allowance for Uncollectible Promises	<u>(104,649)</u>
Net Unconditional Promises to Give	<u><u>\$ 1,737,247</u></u>

Discount rates ranged from 3.0% to 6.6%.

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2004. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2004, the allowance for uncollectible student loans is valued at \$-0- because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,440,885, representing the Federal portion of the loan program at June 30, 2004. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2004. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2004 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 is summarized as follows:

	Beginning Balance July 1, 2003	Increases	Decreases	Ending Balance June 30, 2004
Capital Assets Not Being Depreciated:				
Land	\$ 2,232,414	-	-	2,232,414
Construction in Progress	1,949,118	4,518,544	(2,154,223)	4,313,439
Collections	44,500	-	-	44,500
Total Capital Assets Not Being Depreciated	<u>4,226,032</u>	<u>4,518,544</u>	<u>(2,154,223)</u>	<u>6,590,353</u>
Other Capital Assets:				
Buildings and Improvements	91,537,284	2,160,725	(145,293)	93,552,716
Machinery, Equipment and Other	5,234,217	209,676	(60,047)	5,383,846
Vehicles	739,443	69,755	(52,688)	756,510
Total Other Capital Assets at Historical Cost	<u>97,510,944</u>	<u>2,440,156</u>	<u>(258,028)</u>	<u>99,693,072</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(35,810,185)	(2,662,047)	95,893	(38,376,339)
Machinery, Equipment and Other	(3,092,647)	(393,426)	42,475	(3,443,598)
Vehicles	(559,610)	(36,771)	45,218	(551,163)
Total Accumulated Depreciation	<u>(39,462,442)</u>	<u>(3,092,244)</u>	<u>183,586</u>	<u>(42,371,100)</u>
Capital Assets, Net	<u>\$ 62,274,534</u>	<u>3,866,456</u>	<u>(2,228,665)</u>	<u>63,912,325</u>

Invested in capital assets, net of related debt, of \$44,480,110 as of June 30, 2004 is determined as follows:

Capital Assets, Net	\$ 63,912,325
Less Debt:	
Current Portion of Long Term Debt	(1,986,390)
Long Term Debt	(24,443,797)
Bond Premium of Long Term Debt	(42,295)
Plus Unspent Bond Proceeds	<u>7,040,267</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 44,480,110</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 5 - CAPITAL ASSETS**, Continued

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2003 are as follows:

Land	\$ 540,985
Buildings	15,922,852
Furniture and Fixtures	680,414
Machinery and Equipment	<u>14,526</u>
	17,158,777
Less Accumulated Depreciation	<u>(419,417)</u>
	<u><u>\$ 16,739,360</u></u>

Depreciation charged to expense was \$419,417. This is a non-cash expense.

Property and equipment is recorded at cost when purchased and fair value when donated. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is calculated based upon the straight-line method over the assets useful life of each asset. The estimated useful lives utilized are 50 years for buildings and improvements, 7 years for furniture and fixtures, and 3 years for computer equipment.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2004, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 3,626,177
Trade Payables	2,823,904
Accrued Interest Payable	270,125
Student Deposits and Prepayments	106,601
Construction Contract Retainage	117,572
Other Accrued Liabilities	<u>(11,588)</u>
Total Accounts Payable	<u><u>\$ 6,932,791</u></u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2003, accounts payable consisted of \$67,123 in funds owed to The Winthrop University Foundation, a separate but related organization. Accounts payable also includes \$464,433 in funds owed to Winthrop University in connection with amounts due to them for management of The Courtyard.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**, Continued

Short-Term Borrowings - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On November 20, 2003, Winthrop Real Estate, LLC obtained a commercial loan for the purpose of purchasing land and a building on Stewart Street in Rock Hill, adjacent to the campus. The loan is structured as an interest only loan, which matures on November 20, 2004. The loan bears interest at a variable interest rate of the 30-day LIBOR rate, plus 1.50%. At December 31, 2003, the resulting rate was 2.620%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. As discussed later, effective January 1, 2004, WRE, LLC entered into a lease agreement with Winthrop University for Winthrop's use of the facilities.

**NOTE 7 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2004 is as follows:

	June 30, 2003	Addition	Reductions	June 30, 2004	Due Within One Year
<b>Bonds, Notes and Capital Leases</b>					
General Obligation Bonds	\$ 9,125,000	5,500,000	(440,000)	14,185,000	700,000
Unamortized Premium	-	44,119	(1,824)	42,295	-
Athletic Facilities	2,160,000	-	(120,000)	2,040,000	120,000
Auxiliary Facilities	454,213	-	(59,941)	394,272	63,265
Higher Education Facilities	4,660,000	-	(335,000)	4,325,000	350,000
Notes Payable	752,704	-	(75,805)	676,899	80,421
Master Lease Program Notes Payable	572,725	4,500,000	(270,163)	4,802,562	666,250
Capital Lease Obligations (See Note 8)	12,239	-	(5,785)	6,454	6,454
Total Bonds, Notes and Capital Leases	17,736,881	10,044,119	(1,308,518)	26,472,482	1,986,390
<b>Other Liabilities</b>					
Accrued Compensated Absences	2,052,338	1,487,545	(1,336,972)	2,202,911	1,355,096
Perkins Loan Federal Liability	2,433,217	7,668	-	2,440,885	-
Total Other Liabilities	4,485,555	1,495,213	(1,336,972)	4,643,796	1,355,096
Total Long-Term Liabilities	\$ 22,222,436	11,539,332	(2,645,490)	31,116,278	3,341,486

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 7 - LONG-TERM DEBT**, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2004:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 1993A	4.1% to 5.2%	03/01/08	\$ 985,000
Series 2001A2	4.3% to 4.9%	10/01/20	3,410,000
Series 2001B5	4.5% to 5.5%	10/01/21	1,160,000
Series 2003C	3.5% to 4.75%	04/01/22	3,130,000
Series 2004A1	3.0% to 5.0%	12/01/21	<u>5,500,000</u>
Total General Obligation Bonds			14,185,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	2,040,000
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11/01/09	394,272
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	<u>4,325,000</u>
Total Bonds Payable			<u><u>\$ 20,944,272</u></u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year 2003 were \$1,554,353, which results in a legal annual debt service at June 30, 2004 of \$1,398,917.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

The scheduled maturities of the bonds payable by type are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds			
1993A 2005	\$ 225,000	50,530	275,530
2006	240,000	39,280	279,280
2007	255,000	27,040	282,040
2008	265,000	13,780	278,780
2009	-	-	-
Thereafter	-	-	-
Total Series 1993A Bonds	<u><u>\$ 985,000</u></u>	<u><u>130,630</u></u>	<u><u>1,115,630</u></u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 7 - LONG-TERM DEBT**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued				
2001A2	2005	\$ 125,000	152,823	277,823
	2006	135,000	147,297	282,297
	2007	145,000	141,347	286,347
	2008	150,000	135,079	285,079
	2009	155,000	128,597	283,597
	2010-2014	920,000	532,397	1,452,397
	2015-2019	1,200,000	292,639	1,492,639
	2020-2021	580,000	28,910	608,910
Total Series 2001A2 Bonds		<u>\$ 3,410,000</u>	<u>1,559,089</u>	<u>4,969,089</u>
2001B5	2005	\$ 40,000	56,398	96,398
	2006	45,000	54,060	99,060
	2007	45,000	51,585	96,585
	2008	50,000	49,222	99,222
	2009	50,000	46,972	96,972
	2010-2014	295,000	195,944	490,944
	2015-2019	370,000	116,169	486,169
	2020-2022	265,000	20,874	285,874
Total Series 2001B5 Bonds		<u>\$ 1,160,000</u>	<u>591,224</u>	<u>1,751,224</u>
2003C	2005	\$ 110,000	127,987	237,987
	2006	115,000	124,138	239,138
	2007	125,000	120,112	245,112
	2008	130,000	115,738	245,738
	2009	135,000	111,188	246,188
	2010-2014	785,000	479,222	1,264,222
	2015-2019	1,000,000	306,637	1,306,637
	2020-2022	730,000	69,948	799,948
Total Series 2003C Bonds		<u>\$ 3,130,000</u>	<u>1,454,970</u>	<u>4,584,970</u>
2004A1	2005	\$ 200,000	203,781	403,781
	2006	210,000	193,531	403,531
	2007	225,000	182,656	407,656
	2008	235,000	171,156	406,156
	2009	245,000	159,156	404,156
	2010-2014	1,385,000	653,557	2,038,557
	2015-2019	1,745,000	401,222	2,146,222
	2020-2022	1,255,000	75,032	1,330,032
Total Series 2004A1 Bonds		<u>\$ 5,500,000</u>	<u>2,040,091</u>	<u>7,540,091</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 7 - LONG-TERM DEBT**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Athletic Facilities Revenue Bonds				
2001A5	2005	\$ 120,000	93,636	213,636
	2006	120,000	88,128	208,128
	2007	120,000	82,620	202,620
	2008	120,000	77,112	197,112
	2009	120,000	71,604	191,604
	2010-2014	600,000	275,400	875,400
	2015-2019	600,000	137,700	737,700
	2020-2021	<u>240,000</u>	<u>16,524</u>	<u>256,524</u>
Total Series 2001A5 Bonds		<u>\$ 2,040,000</u>	<u>842,724</u>	<u>2,882,724</u>
Auxiliary Facilities Revenue Bonds				
1997	2005	\$ 63,265	20,713	83,978
	2006	66,772	17,205	83,977
	2007	70,475	13,503	83,978
	2008	74,382	9,595	83,977
	2009	78,507	5,471	83,978
	2010	<u>40,871</u>	<u>1,118</u>	<u>41,989</u>
Total Series 1997 Bonds		<u>\$ 394,272</u>	<u>67,605</u>	<u>461,877</u>
Higher Education Facilities Revenue Bonds				
2002B5	2005	\$ 350,000	198,085	548,085
	2006	365,000	182,055	547,055
	2007	385,000	165,338	550,338
	2008	400,000	147,705	547,705
	2009	420,000	129,385	549,385
	2010-2014	<u>2,405,000</u>	<u>340,065</u>	<u>2,745,065</u>
Total Series 2002 B5		<u>\$ 4,325,000</u>	<u>1,162,633</u>	<u>5,487,633</u>

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.65 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building. As of June 30, 2004, the University has unamortized premium of \$42,295. This premium will be amortized over the life of this bond.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 7 - LONG-TERM DEBT**, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2003:

South Carolina Jobs-Economic Development  
Authority variable rate demand Economic  
Development Revenue Bonds. Issued  
July 25, 2002 with a variable interest rate  
currently at 3.40%.

Series 2002 - A	\$ 18,875,000
Series 2002 - B	<u>100,000</u>
	<u>\$ 18,975,000</u>

On July 25, 2002, WUREF, LLC entered into an agreement to issue two series of bonds to be utilized for the construction of The Courtyard at Winthrop. The proceeds of the bond issuances paid for construction of the building, a bulk-purchase of furniture and fixtures for the facility, and for allocations to specified bond reserve accounts. These bond reserve accounts were used to provide for capitalized interest, to pay for bond issuance costs, to provide for the setup of a bond sinking fund, and other related reserves. The Series A issuance of \$18,875,000 has a 30 year life with a maturity date of July 1, 2033, while Series B of \$100,000 has a maturity date of July 1, 2004.

Maturities on the bonds payable are scheduled as follows for years ending December 31,:

2004	\$ 245,000
2005	260,000
2006	280,000
2007	295,000
2008	310,000
Thereafter	<u>17,585,000</u>
	<u>\$ 18,975,000</u>

In addition, WUREF LLC also entered into a \$16,400,000 interest rate swap agreement at the issuance of the bonds to manage exposure to fluctuations in interest rates. Under the swap agreement, WUREF LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.94%.

Certain bond issuance costs, including underwriter's fees and attorney fees have been classified as an other asset and are being amortized over the life of the bonds to its final scheduled maturity date. Amortization expense for the bond closing costs was \$24,454 for the period ended December 31, 2003.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 7 - LONG-TERM DEBT**, Continued

**Notes Payable**

Notes payable consisted of the following at June 30, 2004:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina Note (Athletic Facilities) Series 1981	6.0%	06/30/11	\$ 676,899
Total Notes Payable			<u>\$ 676,899</u>

During fiscal year 1981, the University issued an athletic facilities note in the amount of \$2,620,000. The proceeds of the note were used to construction and equip an athletic coliseum (field house).

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

The athletic facilities note is payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2004, are as follows:

***Athletic Facilities Notes Payable***

<u>Year Ending June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 80,421	39,425	119,846
2006	85,319	34,528	119,847
2007	90,515	29,332	119,847
2008	96,027	23,820	119,847
2009	101,876	17,971	119,847
2010-2011	<u>222,741</u>	<u>16,953</u>	<u>239,694</u>
	<u>\$ 676,899</u>	<u>162,029</u>	<u>838,928</u>

***Master Lease Program Notes Payable***

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2004, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated June 1, 1998	5.11%	06/01/05	\$ 148,525
Note Dated June 1, 1998	5.11%	06/01/05	117,120
Note Dated December 13, 2000	4.79%	04/01/06	36,917
Note Dated June 16, 2004	3.56%	06/16/11	4,500,000
Total			<u>\$ 4,802,562</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 7 - LONG-TERM DEBT**, Continued

Notes Payable, Continued

The University financed capital acquisitions through a borrowing from the State Treasurer's Master Lease Program. The University originally borrowed \$109,103 (net carrying value of \$50,704) to purchase of 5 campus police cars. The outstanding balance at June 30, 2004 is \$36,917. The note is collateralized by the police cars. The note requires the University to pay all insurance, property taxes, if any, and to maintain the equipment in good working order.

Proceeds from the original master lease notes of \$899,750 and \$709,500, with outstanding balances at June 30, 2004 of \$148,525 and \$117,120, respectively, were used to acquire campus-wide telephone equipment and voice and data cabling equipment, respectively. The notes are collateralized by the respective equipment.

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance.

The notes are payable in annual installments plus interest. In June 2011, there is a balloon payment due of \$1,990,710. Amounts, including those required to complete payment of the bank note obligations as of June 30, 2004 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 666,250	175,274	841,524
2006	414,929	147,374	562,303
2007	410,228	132,537	542,765
2008	424,838	117,927	542,765
2009	439,968	102,796	542,764
2010-2011	<u>2,446,349</u>	<u>158,026</u>	<u>2,604,375</u>
Total Obligations	<u>\$ 4,802,562</u>	<u>833,934</u>	<u>5,636,496</u>

**NOTE 8 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2004 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2005	\$ 7,200	32,462
2006	-	15,207
2007	-	552
2008	-	-
2009	-	-
Thereafter	<u>-</u>	<u>-</u>
Total Lease Payments	7,200	48,221
Less: Interest	<u>(746)</u>	<u>-</u>
Total Present Value of Lease Payments	<u>\$ 6,454</u>	<u>48,221</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 8 - LEASE OBLIGATIONS**, Continued

Capital Leases

Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The original cost of assets held under capital leases was \$193,109; accumulated depreciation is \$74,781, with a net carrying value of \$118,328 as of June 30, 2004.

Operating Leases

The University has various operating leases with external parties which include copier equipment, four vehicles and one parcel of land to provide overflow parking for students. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$250,209 for fiscal year 2004. For the year ending June 30, the University's lease expense for the vehicles and parcel of land were \$16,804 and \$17,200, respectively.

**NOTE 9 - PENSION PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 11.00 percent which included a 3.30 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2004, 2003 and 2002 were \$1,397,742, \$1,392,285 and \$1,315,260, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$27,770 in the current fiscal year at the rate of .15 percent of compensation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 9 - PENSION PLANS**, Continued

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 14.00 percent which, as for the SCRS, included the 3.30 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2004, 2003 and 2002 were \$47,812, \$43,667 and \$42,735, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$928 and accidental death insurance contributions of \$928 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.30 percent from the employer in fiscal year 2004.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$901,288 (excluding the surcharge) from University as employer and \$716,256 from its employees as plan members.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 9 - PENSION PLANS**, Continued

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

**NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,566,231 for the year ended June 30, 2004. As discussed in Note 9, the University paid \$1,123,699 applicable to the 3.30 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 11 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University has outstanding commitments under construction contracts of \$9,602,649 at June 30, 2004 of which \$8,377,871 was attributable to capital projects and the remaining \$1,224,778 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$5,608,958 of authorized state capital improvement bond proceeds available to draw at June 30, 2004.

**NOTE 12 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity is audited by independent auditors and retained by them.

**NOTE 13 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2004 the University held \$484,930 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized appreciation at June 30, 2004 was \$26,275. This amount is included in the restricted expendable scholarships and fellowships amount in the Statements of Net Assets. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2004, the income available to be spent is \$92,959, of which \$60,327 is restricted to specific purposes.

**NOTE 14 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 14 - RISK MANAGEMENT**, Continued

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**NOTE 15 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2004 are summarized as follows:

Instruction	\$ 25,474,030
Research	381,342
Public Service	4,184,026
Academic Support	6,322,981
Student Services	7,597,466
Institutional Support	5,938,948
Operation and Maintenance of Plant	9,320,740
Scholarships & Fellowships	4,641,229
Auxiliary Enterprises	10,286,089
Depreciation	<u>3,092,244</u>
Total Operating Expenses	<u><u>\$ 77,239,095</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 16 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian for The Winthrop University Alumni Association. The receipts, earnings and expenditures related to the agency fund are not included in the Foundation’s statement of activities.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give due in the next year are recorded at their net realizable value. Pledges to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions, if any.

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation’s activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$952,576 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2004. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2004 are \$45,817 due from the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2004

**NOTE 16 - COMPONENT UNITS**, Continued

**Purpose of Restricted Net Assets**

All temporarily restricted net assets are available for use by Winthrop University faculty or for scholarships to Winthrop students who meet the established criteria. Net assets released from restrictions during the six months were \$271,405 released by incurring expenses satisfying the restricted purpose of the donors for scholarships, grants and faculty support at Winthrop University.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

Winthrop University Scholarships and Grants	\$ 17,764,945
The Alumni Association of Winthrop University	<u>105,000</u>
	17,869,945
Endowments Requiring Income to be Added to Original Gifts Until the Funds Values Reach Specified Amounts	395,690
Cash Surrender Value of Life Insurance Policies That Will Provide Proceeds Upon the Deaths of the Insured for Endowments	71,229
Estimated Current Value of Trusts Which Upon the Death of the Beneficiaries Will Provide Endowments	<u>1,875,883</u>
	<u><u>\$ 20,212,747</u></u>

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period January 1, 2003 thru June 30, 2004, the fee for management services amounted to approximately \$103,425. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2004 are \$333,943 due from WUREF, Inc.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2004

	Year Ended June 30,	
	2004	2003
Charges for Services	\$ 55,403,604	48,881,824
Operating Grants and Contributions	2,597,153	4,894,661
Less Expenses	<u>(78,148,313)</u>	<u>(79,358,058)</u>
Net Program Revenue (Expense)	<u>(20,147,556)</u>	<u>(25,581,573)</u>
TRANSFERS		
State Appropriations	20,350,715	21,879,675
Capital Improvement Bond Transfer In	<u>1,991,196</u>	<u>626,137</u>
Total Transfers	<u>22,341,911</u>	<u>22,505,812</u>
Decrease in Net Assets	2,194,355	(3,075,761)
Net Assets - Beginning of Year	<u>55,681,554</u>	<u>58,757,315</u>
Net Assets - End of Year	<u>\$ 57,875,909</u>	<u>55,681,554</u>

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2004

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2003-2004 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2004:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2003-2004 Appropriations Act	\$ 19,736,734
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved 1.0% Mid Year Appropriation Reduction	(197,367)
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State Technology Program	728,203
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State Academic Endowment Incentive Match	<u>51,694</u>
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Revised Non-Capital Appropriations - Legal Basis	20,319,264
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Accrued Funding for Net Payroll Adjustments	<u>31,451</u>
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Total Non-Capital Appropriations Revenue - Accrual Basis	<u><u>\$ 20,350,715</u></u>
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**Capital Appropriations**

Capital Improvement Bond Proceeds Drawn 2003-2004	\$ 1,584,537
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Plus Capital Improvement Bond Proceeds Receivable Expended 2003-2004 Not Drawn	659,002
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Less Capital Improvement Bonds Drawn in 2003-2004 Expended 2002-2003	<u>(252,343)</u>
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Total Capital Appropriations Revenue - Accrual Basis	<u><u>\$ 1,991,196</u></u>
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## **SINGLE AUDIT SECTION**



**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2004

<b>FEDERAL GRANTOR</b>	<b>CFDA NUMBER</b>	<b>GRANT OR CONTRACT NUMBER</b>	<b>June 30, 2004</b>
<b>Pass-Through Entity Program Title</b>			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Office of Student Financial Assistance			
SEOG	84.007	P007A023816	\$ 204,054
Federal Work-Study	84.033	P033A.33816	212,083
Pell Grants - 2003	84.063	P063P020379	43,316
Pell Grants - 2004	84.063	P063P030379	4,199,453
Federal Direct Loan	84.268		18,595,000
			<u>23,253,906</u>
<b>Pass-Through the South Carolina Commission on Higher Education</b>			
Eisenhower Professional Development			
Math and Science Coach	84.281		5,337
Improving Teacher Quality			
Solving Math Problems	84.367		70,082
Leadership Academy	84.367		69,174
			<u>144,593</u>
<b>Pass-Through the Rock Hill School District</b>			
Eisenhower Professional Development			
Math and Science Coach	84.281		54,602
<b>Pass-Through the University of South Carolina</b>			
Teacher Quality Enhancement			
Clinical Experience Partnerships	84.336	P336B990061	126,571
<b>Pass-Through South Carolina Department of Education</b>			
Special Education State Improvement Program			
Special Improvement Grant	84.323A	04-CT-309	12,181
Transition to Teaching	84.350		37,020
Corporation for National and Community Service			
AmeriCorps - 2003	94.006	03FT309	15,914
AmeriCorps - 2004	94.006	04FT309	137,427
			<u>202,542</u>
Other Programs			
National Writing Project			
Winthrop Writing Project	84.928	92SC04	83,527
			<u>83,527</u>
<b>Total U.S. Department of Education</b>			<u>\$ 23,865,741</u>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2004

<b>FEDERAL GRANTOR</b>	<b>CFDA NUMBER</b>	<b>GRANT OR CONTRACT NUMBER</b>	<b>June 30, 2004</b>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Pass-Through South Carolina</b>			
<b>Department of Public Safety</b>			
Crime Victims Assistance			
Emergency Call Boxes	16.575	1V01125	\$ 16,617
Information Systems			
and Communications Upgrade	16.575	1D03049	18,750
<b>Total U.S. Department of Justice</b>			35,367
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b>Pass-Through the Fish and Wildlife</b>			
<b>Associates, Inc.</b>			
Tribal Landowner Incentive Program			
Botanical Surveys and Research on Catawba			
Indian Nation Lands	15.638		3,313
<b>Total U.S. Department of Interior</b>			3,313
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Pass-Through the University of</b>			
<b>South Carolina</b>			
Education and Human Resources			
Polymer Structures	47.076	EPS029616S	30,095
<b>Total National Science Foundation</b>			30,095
<b>SMALL BUSINESS ADMINISTRATION</b>			
<b>Pass-Through the University of</b>			
<b>South Carolina</b>			
Small Business Development Center - 2003	59.037	3603001004	13,630
Small Business Development Center - 2004	59.037	4603001-Z-0043-24	150,058
<b>Total Small Business Administration</b>			\$ 163,688

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2004

<b>FEDERAL GRANTOR</b>	<b>CFDA NUMBER</b>	<b>GRANT OR CONTRACT NUMBER</b>	<b>June 30, 2004</b>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b>NATIONAL INSTITUTE OF HEALTH</b>			
<b>Pass-Through the University of South Carolina</b>			
Cancer Research Manpower EPSCOR/BRIN	93.398		\$ 8,101
<b>Total Department of Health and Human Services</b>			8,101
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>			
Promotion of the Arts ABC Outreach Program	45.024	03-5100-8049	8,885
<b>Total National Endowment for the Arts</b>			8,885
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
Museum Assessment Program	45.302	IM-01-04-0030-04	2,325
<b>Total Institute of Museum and Library Services</b>			2,325
<b>TOTAL FEDERAL AWARDS</b>			\$ 24,117,515

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Winthrop University  
Rock Hill, South Carolina

Compliance

We have audited the compliance of Winthrop University (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winthrop University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winthrop University's compliance with those requirements.

In our opinion the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed one instance of noncompliance with these requirements which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item RC 04-01.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winthrop University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Winthrop University as of and for the year ended June 30, 2004, and have issued our report thereon dated September 13, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Office of the State Auditor, State of South Carolina, the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink, appearing to read "Clint Brantley" followed by a stylized flourish.

September 13, 2004

Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Winthrop University  
Rock Hill, South Carolina

We have audited the general purpose financial statements of Winthrop University (the University) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 13, 2004. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated September 24, 2004.

This report is intended solely for the information of the Office of the State Auditor, State of South Carolina, the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.



September 13, 2004

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2004

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2(b) of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u><u>\$ 18,595,000</u></u>
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**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2004

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no prior year findings or questioned costs relating to Federal Awards.



**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2004

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Winthrop University's financial statements dated September 13, 2004. No instances of material noncompliance were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Winthrop University dated September 13, 2004. Our audit disclosed no findings that are required to be reported under OMB Circular A-133.

The major program at Winthrop University is the Student Financial Aid Cluster from the U.S. Department of Education. Type A or major programs are defined as those that expended \$500,000 or 5% of total Federal Awards expended at the University. Winthrop University's total federal awards expended for the year ended June 30, 2004 were between \$10 million and \$100 million.

Winthrop University is considered to be a low risk auditee by the criteria listed in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

**RC 04-01**

**Return to Title IV**

Condition:	Return to Title IV calculations for unofficial withdrawals were not made in a timely manner; official withdrawals were calculated timely. Financial Aid did calculate and return funds after the 30 day time frame.
Criteria:	Internal controls should be in place that provides reasonable assurance that calculations of return to Title IV refunds are completed in a timely manner. [34 CFR 668.22]
Effect:	Title IV refunds were not remitted to the proper recipients.
Recommendation:	Procedures should be implemented requiring the timely calculation of return to Title IV funds.



Response to audit finding regarding the unofficial withdrawal of students receiving federal financial aid funds during 2003-04.

When a student fails to earn a passing grade in any of his classes, the institution may not assume that the student completed the enrollment period. A school that is not required to take attendance may use either the midpoint of the period or a student's last day of attendance at or participation in any academically-related activity as documentation of the student's last date of attendance.

This date is then used to determine if a portion of the federal aid received by the student for attendance should be returned to the appropriate Title IV program.

During the 2003-04 academic year, 69 Winthrop students who were receiving Federal Title IV funds received all N's or F's at the end of the term. (33 students in Fall 2003 and 36 students in Spring 2004)

For the 69 students, dates of last academic activity which were beyond the 60% point of the term were obtained from faculty members for 36 students. These 36 were exempt from requirements for Return to Title IV Funds.

There were 33 students whose documented last dates of academic activity were prior to the 60% point of the term. While the finalizing of the return of federal aid was not completed within the time period allowed for this procedure, the institution has made a good faith effort to comply with the regulation.

To enhance the University's effort in determining last date of academic activity, the University plans to implement the following procedures:

1. The Vice President for Academic Affairs has determined that all faculty members should report to departmental chairs the names of any students who appear on a class roster and have not been in attendance during the first two weeks of any term. This listing will be sent to the Office of Records and Registration where contact will be made with each student to determine his enrollment status. Information will be forwarded to the Office of Financial Aid for those students receiving Title IV aid. Appropriate adjustments to aid will be made at that time, if necessary.
2. The Vice President for Academic Affairs will notify faculty members during the week preceding the 60% point of the term to report any student who has stopped attending prior to that date. (November 1, 2004 for Fall 2004 and March 22 for Spring 2005) This information will also be reported to the Office of Records and Registration where contact will be made with each student to determine his enrollment status. Information will be forwarded to the Office of Financial Aid for those students receiving Title IV aid. Appropriate adjustments to aid will be made at that time, if necessary.

3. Once all grades are posted for a term, a list of students who are Title IV aid recipients and who received all N's and/or F's will be provided by the Office of Records and Registration. Confirmation of the list will be completed by the Office of Financial Aid. The list will be sorted by faculty member with a listing of students and classes taught by that faculty member. The Vice President for Academic Affairs will send a memo to each faculty member with the list of students, instructing the faculty member to note the last date of attendance or academic activity for the students on the list. Information will be forwarded to the Office of Registration and Records and shared with the Office of Financial Aid. Aid will be adjusted when necessary.
4. For those students with all N's and F's for whom information is not provided, the Office of Financial Aid will assume a withdrawal date of the mid-point of the term and process returns to federal programs accordingly.



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Dr. Anthony J. DiGiorgio, President